

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Market Test of Experimental Product-  
Plus One

Docket No. MC2022-20

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE REQUEST TO CONVERT PLUS ONE  
TO A PERMANENT OFFERING

(December 7, 2021)

I. INTRODUCTION

On September 20, 2019, the Commission authorized the Postal Service to proceed with the Plus One market test, beginning on October 1, 2019 and expiring on September 30, 2021.<sup>1</sup> On June 4, 2021, the Commission authorized the Postal Service to extend the Plus One market test for 12 months, expiring September 30, 2022.<sup>2</sup> On November 10, 2021, the Postal Service submitted a request to convert the experimental product Plus One into a permanent offering, pursuant to 39 U.S.C. § 3642 and 39 C.F.R. § 3045.18.<sup>3</sup> On November 30, 2021, the Postal Service submitted a statement of supporting justification in response to a Chairman's Information Request.<sup>4</sup> The Public Representative respectfully submits the following comments concerning the conversion of Plus One to a permanent offering.<sup>5</sup>

II. STANDARD OF REVIEW

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<sup>1</sup> Docket No. MT2019-1, Order Authorizing Plus One Market Test, September 20, 2019.

<sup>2</sup> Docket No. MT2019-1, Order Authorizing Extension of Plus One Market Test, June 4, 2021.

<sup>3</sup> United States Postal Service Request To Convert Plus One To A Permanent Offering, November 10, 2021 (Request).

<sup>4</sup> USPS Response to Chairman's Information Request No. 1, November 30, 2021.

<sup>5</sup> Notice and Order Concerning Request to Convert Plus One Market Test to a Permanent Product Offering, November 16, 2021.

Pursuant to 39 C.F.R. §3045.18(b), the Postal Service shall comply with all requirements if the proposed non-experimental product: (1) offers the same service as a former or current experimental product; (2) has the same distinct cost or market characteristic as a former or current experimental product; or (3) uses data or assumptions from a former or current market test proceeding. The Postal Service states that “Plus One will offer the same service as the current experimental product described as Plus One in Docket No. MT2019-1, with the same distinct costs and market characteristics, and is based on the data collected from the current market test proceeding.” Request at 2.

Pursuant to 39 C.F.R. §3045.18(c), the Postal Service is required to: (1) identify the market test and docket number that the proposed non-experimental product or price category is based on; (2) explain the relationship between the proposed non-experimental product or price category and market test or experimental product; (3) identify any assumptions from the market test that the request uses or is based on; (4) include all data from data collection reports filed during the market test in the financial model supporting the request; and (5) quantify the product specific costs associated with the development of the market test; that is, costs incurred before the market test was implemented.

The Postal Service states that the non-experimental Plus One product is based on the experimental Plus One market test in Docket No. MT2019-1 and that the “relationship between the proposed non-experimental product and market test is one-to-one.” Request at 2-3. The Postal Service states that the assumptions from the market test remain the same and included with the request, “all data collection reports filed over the course of the market test to provide the financial model supporting the request.” Request at 4. The Postal Service states that “the product-specific costs associated with the development of the market test total \$457,300” which includes program management and IT-related costs. Request at 4-5.

The Postal Service has adequately satisfied the requirements of 39 C.F.R. §3045.18(b) and (c); therefore, the Public Representative supports the conversion of Plus One to a permanent offering.

### III. PRODUCT PRICING

Pursuant to 39 C.F.R. §3045.15, revenues from an experimental product cannot exceed \$10 Million in any fiscal year, as adjusted for the change in the CPI-U index. In a market test, the Postal Service is only limited by total revenue rather than individual prices; thus, the Postal Service retains flexibility to test a range of prices for an experimental product. As a new product, an experimental product is not subject to the price cap rules because actual prices and volumes are not available. In Docket No. MT2019-1, the experimental product, Plus One, is generating completely new volume rather than diverting volume from other products. Therefore, the Postal Service has flexibility to set initial prices and is not required to undergo price cap compliance review.

The Postal Service requests setting the initial price for Plus One at \$0.10. Request at 3. In the market test, the Postal Service tested a range of prices, ranging from \$0.085 to \$0.10. The percent change in prices ranges from 0 percent to 17.65 percent, with an average percent change of 8.11 percent. See Table 1.

Table 1 – Percent Change in Prices

Region	Test Price	Permanent Price	Percent Change
West	\$0.085	\$0.100	17.65%
Northeast	\$0.090	\$0.100	11.11%
Midwest	\$0.095	\$0.100	5.26%
South	\$0.100	\$0.100	0.00%
<b>Average</b>	<b>\$0.0925</b>	<b>\$0.100</b>	<b>8.11%</b>

The Postal Service set the test prices at the beginning of FY 2020 and the test prices remained unchanged through the beginning of FY 2022. For some mailers there will be no change in prices, while others mailers will experience a range of price increases. On average, the price increase of 8.11% is reasonable given that the market test prices remained unchanged for over 2 years. Therefore, the Public Representative supports the initial price of \$0.10 for the Plus One permanent offering.

#### IV. COST COVERAGE

The Public Representative has reviewed the Quarterly Reports,<sup>6</sup> under seal, and the data provided in the Annual Compliance Report (ACR), as required by 39 C.F.R. §3045.20(e). In FY 2020 ACR, the Postal Service states that “the information for the Plus One Market Test is provided under seal in the preface to USPS-FY20-NP27, although it may be noted here that the FY 2020 revenue for that test did exceed its cost.”<sup>7</sup>

The Postal Service estimates that product-specific development costs were \$417,000 and that product-specific program management costs are \$20,151 per year. Request at 5. Considering that FY 2020 revenue exceeded costs when administrative costs would be highest, FY 2021 revenue is likely to exceed costs as well. With the infrastructure for Plus One now in place, the product should maintain a cost coverage above 100 percent. The Postal Service has successfully tested a product that is likely to grow contribution; therefore, the Public Representative supports the conversion of Plus One to a permanent offering.

#### V. CONCLUSION

The Public Representative supports the conversion of Plus One to a permanent offering.

Respectfully submitted,

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<sup>6</sup> Letter to Secretary Erica Barker Providing Plus One Data Collection Report for FY2020, November 17, 2020. Letter to Secretary Erica Barker Providing Plus One Data Collection Report for FY2021, Quarter 1, February 5, 2021. Letter to Secretary Erica Barker Providing Plus One Data Collection Report for FY2021, Quarter 2, May 7, 2021. Letter to Secretary Erica Barker Providing Plus One Data Collection Report for FY2021, Quarter 3, August 6, 2021. Letter to Secretary Erica Barker Providing Plus One Data Collection Report for FY2021, Quarter 4, November 5, 2021.

<sup>7</sup> Docket No. ACR2020, United States Postal Service FY 2020 Annual Compliance Report, December 29, 2020, at 72.

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